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CHINA REPORT

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NATIONAL POLICY AND ISSUES

MORE SCIENTIFIC FORMULATION OF MACROECONOMIC POLICY URGED

HK230204 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 8, 15 Aug 81
pp 17-20

[Article by Sun Xiaoliang [1327 2400 5382]: "How Economic Leadership Departments Can Make Their Macroeconomic Policy Formulation More Scientific"—passages enclosed in slantlines printed in boldface]

[Text] (1) An important lesson from the experience of Economic Construction

Over the past 31 years, our country's total output value has grown very rapidly. Except for a few years, the annual growth rate always stayed above 7 percent. The accumulation rate was also very high, reaching around 30 percent in the majority of these 31 years. However, we did not achieve the desired economic results. Only 69 percent of the total investment was converted into fixed assets. Only 46 percent of it has genuinely played a role in the economy. The standard of living of the masses of people has not been improved to the desired extent. Huge amounts of capital funds have been wasted or have been tied up because of overstocking.

There are many reasons for this situation. An important lesson from our experience is that our macroeconomic policy formulation was unscientific. This was reflected, in practice, in the formulation of unrealistic principles and policies, the lack of a scientific basis in formulating construction plans, the issuing of arbitrary and impracticable directions, and so on.

Examples of unrealistic principles and policies include the continuous promotion of production relations to higher levels, causing them to surpass the level of development of the productive forces; principles that violated the laws governing socialized large-scale production, such as principles requiring each province to become a self-contained economic system, requiring each locality to produce a balanced assortment of materials and to make available complete sets of equipment, and so on; slogans such as putting an end to the situation of having to transport coal from the north to the south, and so on; policies concerning the use of fuel, such as switching from coal to oil and then later inconsistently switching from oil to coal, and so on; and so forth.

Examples of the lack of a scientific basis in formulating construction plans include the following: The 10-year plan stipulating the building of 120 major projects was put forth before the possibility of making the funds available was

calculated. Imports were made on a massive scale before the availability of foreign exchange was ensured, so with regard to some imported items, though contracts had been signed, their implementation had to be postponed or the contracts had to be amended because of a lack of funds. The project of "supplying Sichuan's natural gas to other provinces" was decided upon before the natural gas reserve was clearly ascertained, so that the project had to be discontinued halfway because of the inadequate reserve. Numerous major projects were started before raw materials, motive power or complete sets of equipment were available. Some completed projects incurred losses right from the time they went into operation.

In our economic life, there have also been numerous instances of issuing arbitrary and impracticable directions. Sometimes, major economic policies were formulated on the basis of some "tendencies" or of some leaders' feelings. When the call for developing the iron and steel industry on a massive scale was issued, several hundred thousand people were directed into this effort; everywhere primitive blast furnaces were set up; trees were cut down when coal was not available; in many regions, highly valuable forestry resources were destroyed; and consequently money and manpower were wasted, with the losses being greater than the gains. When the slogan of "do away with the dictatorship of rules and regulations" was put forth, all enterprises were put under lower administrative levels. Some enterprises which provided services on a nationwide scale were also put under county authorities. The consequence was chaos in economic life over a period of time. To develop a dozen or more oilfields was merely casual talk, but this turned out to be the basis for formulating plans for opening up oilfields.

These ways of formulating macroeconomic policy, which were unscientific or even contrary to science, resulted in losses, some of which are incalculable. Therefore, we must make our macroeconomic policy formulation more scientific; that is, we must make it compatible with the objective reality and economic laws, and we must have an accurate numerical basis and must perform quantitative analysis. If this problem remains unsolved, the national economic proportional relations will be disrupted again even if they have been readjusted, and the economy will not be markedly improved.

(II) The Importance of This Problem

The problem of making macroeconomic policy formulation more scientific is an extremely important problem, rather than being an ordinary one. It affects the future and destiny of the planned economy. It is connected with whether the superiority of the socialist system can be brought into play, and whether the system of ownership by the whole people will degenerate.

The founders of scientific socialism clearly stated that the basic contradiction in the capitalist system is that between the socialization of production and the private ownership of the means of production. The forms of expression of this basic contradiction are the class antagonism between the proletariat and the bourgeoisie, as well as the anarchic state of social production. This contradiction can be radically resolved through the seizure of public authority

by means of the proletarian revolution, and the exercise of this authority to make possible the social ownership of the means of production, to free the means of production from their subordination to capital, and to acknowledge their social nature. On the basis of public ownership, the anarchic state of social production must give way to regulation by planning mechanism, and social labor time must be consciously allocated according to proportions among various categories of production, so that the development of the productive forces can be promoted. [HK230230] This is an important manifestation of the superiority of the socialist system. However, the goal of proportionate development can be attained only with scientific centralized social planning. Bitter experiences at home and abroad have proved that unscientific centralized social planning will only lead to the artificial disruption of proportional relations. Moreover, the consequences of disrupting the proportional relations "in a planned way" are much more serious than those of the spontaneous disruption of the proportional relations. Precisely because of this, although we have instituted the public ownership of the means of production and have adopted the planned economy, the superiority of the socialist system has not been fully brought into play because the formulation of many macroeconomic policies has been unscientific.

To demonstrate the vitality of the planned economy, we must not rely mainly on "theoretically explaining" its superiority. Instead, we must "prove" its superiority "through practice." If our planning is unrealistic, violates economic laws, is marked by the lack of accurate data as its basis, and is effected through the "invention of ideas" by a minority of people, then the reputation of the planned economy will certainly be tarnished, and its prestige will certainly be damaged. The First Five-Year Plan was rather satisfactory. It really effectively guided our national economic development and enabled people to realize the superiority of the planned economy. However, late on, for one thing, attempts were made to continuously widen the scope of planning and increase the contents of our plans, so that our work load was divorced from our actual capabilities and standards. For another thing, the setting of high targets and the issuing of arbitrary and impracticable directions gradually became dominant, and criticisms were continually launched against right conservatism and the passive maintenance of equilibrium; and consequently, our planning became less and less scientific. If things continue like this, the prestige of the planned economy among the people of the world will be utterly destroyed, and the planned economy will be deprived of its vitality.

Unrealistic policy formulation, unscientific planning for construction and issuing arbitrary and impracticable directions, actually amount to the degeneration of the system of ownership by the whole people. In our country, such ownership is realized through the ownership of the means of production by the state in the name of the people. Real life experience tells us that when our state organs formulate economic policies, there may be two categories of possible results with regard to whether such policies represent the common will and interests of all of the people. When the economic policies formulated by the state are scientific, the implementation of such policies inevitably promotes our national economic development. This amounts to representing the people's common will and interests, and the realization of ownership by all of the people. When the economic policies formulated by the state are unscientific, the implementation of

such policies inevitably lead to huge losses and waste. This is against the common will and interests of all the people. However, the laborers are incapable of doing anything about it. Therefore, this actually amounts to the disintegration of ownership by all of the people.

Thus, from whichever point of view, we should not consider the problem of making macroeconomic policy formulation more scientific as an ordinary or minor problem.

(III) How To Make Macroeconomic Policy Formulation More Scientific

The major requirement is that we must eliminate the influence of "leftist" ideology in economic work. An increasingly large number of comrades are beginning to realize this point, and are effectively performing work in this respect. The power of economic policy formulation must be linked to the responsibility for the consequences of implementing economic policies. We must put an end to the situation in which the subjectivist issuing of arbitrary and impracticable directions causes losses to the state amounting to hundreds of millions of yuan, and the policymakers shoulder no responsibility for these economic consequences. Aside from these two methods, we must, by reforming our economic management systems, make our methods of organization and our systems capable of ensuring more scientific macroeconomic policy formulation.

We must not believe that the reform of our economic management system merely amounts to expanding the enterprises' decisionmaking power. When the enterprises' decisionmaking power is expanded and microeconomic activity is promoted, there will be an urgent need to strengthen guidance by planning. The formulation of plans must be scientific, and the means of guidance must be powerful, so that the conscious and proportionate development of the entire national economy can be ensured. To achieve this, we should include at least the following three elements in the reform of our economic management system. (1) The enterprises under the ownership of the whole people should "be subjected to ownership by the whole people, practice independent accounting, and assume sole responsibility for their profits and losses," so that the power to run the enterprises independently, and an internal motive force that promotes continuous improvements in management and operations will be available. (2) We must reform the functional, organizational and personnel structures of government departments in charge of economic management, so that macroeconomic policy formulation can be made more scientific. (3) We must reform and perfect the agencies of economic regulation, and flexibly employ various means of regulation, so that a "bridge" can be established between the state's macroeconomic policy formulation and the enterprises' microeconomic policy formulation. [HK230312] If these three categories of reform are carried out, then the enterprises' and the workers' enthusiasm, initiative and creativity can be brought into play, and microeconomic results will be improved; and moreover, proportionate national economic development can be consciously maintained, so that macroeconomic results will be ensured.

A rather popular view holds that if the enterprises assume sole responsibility for their profits and losses, then the government departments at various levels responsible for economic management can be combined or abolished. Actually,

things are quite far from being so simple. When the enterprises have been assigned greater decisionmaking power, not only must the government departments responsible for economic management use a new set of methods to guide economic activities so as to ensure the achievement of overall equilibrium, but macroeconomic policy making must really become scientific. This is a very arduous task. Therefore, for the economic management departments of the state, reform is not merely a matter of simplification, combination and abolition, but amounts to a series of structural reforms.

/First, the functional structure must be reformed./ At present, our government departments responsible for economic management are actually performing two categories of functions. First, they study and formulate principles, policies and plans concerning national economic development. Generally speaking, this function lies within the scope of macroeconomic policy formulation. Second, they organize and direct the enterprises' activities in production, supply and marketing. Generally speaking, this belongs to the scope of microeconomic policy making. At present, a large proportion of their time and efforts are actually used to organize the enterprises' production, supply and marketing activities. The work of studying and formulation principles, policies and development plans is done in a very crude manner. With the assumption of sole responsibility for profits and losses by the enterprises and the assigning of microeconomic decisionmaking power to the enterprises, this functional structure must undergo a major reform. With the implementation of the reform, the economic management departments will inevitably have to do some work in coordinating production, supply and marketing, but their main function and key task will be macroeconomic policy formulation, to which they must devote the greater proportion of their time.

/Second, we must reform the organizational structure./ At present, our government departments responsible for economic management actually consist of two categories of organizations. The first category are organs of power, which are mainly responsible for organizing, directing and controlling production, distributing funds and material resources, deciding upon construction projects, and so on. The second category are advisory bodies, which are mainly responsible for making investigations about and studying principles and policies, compiling and analyzing information, studying development plans, designing schemes for policy formulation, and so on. Judging from present circumstances, specialized advisory bodies are too few. Their work is mostly concurrently performed by organs of power, so that it is very difficult to perform such work meticulously and to a great depth. Our past mistakes of various types of macroeconomic policy formulation were to a great extent due to the underdevelopment of such advisory bodies. The formulation of an economic policy generally involves three "subprocesses." First, we must compile adequate and accurate data, some of which may be collected for a short period of time, but most must be collected on an annual basis. If we do not compile and analyze information in this way, it will be impossible for us to formulate our policies on a scientific basis. The second stage is to design schemes for policy formulation. On the basis of mastering and analyzing an adequate amount of information, we must design a number of schemes for policy formulation, analyze the feasibility of these schemes, and clearly know the advantages of each. This requires a great deal of expert knowledge and a large number of qualified specialists. The last stage is to select the right policy. The person

or group responsible for decisionmaking will choose one from a number of schemes presented for implementation. That is, he or they will "have the final say." The first two stages involve a great deal of work which cannot be performed by a policymaker or a number of policymakers, but must be done by advisory bodies. Without those bodies which are essential for compiling information and designing schemes for policy formulation, the policymakers will not have any accurate data, any quantitative analysis findings, or a number of schemes to compare and select from, as was the case of "supplying Sichuan's natural gas to other provinces." Under these circumstances, even if the policymakers are technical experts, it will be very difficult for them to formulate scientific policies, even after repeated group discussions. The reason is very simple. They lack the requisite basis for scientific policy formulation. Therefore, with the expansion of the enterprises' decisionmaking power, the organs of power should be simplified, combined or abolished, while the advisory bodies should be increased and strengthened. We must also establish, as quickly as possible, certain bodies which have not been established, such as an overall national economic planning department, whose establishment has been repeatedly proposed by Comrade Qian Xuesen.

[HK230340] /Third, we must reform the personnel structure./ The need for reforming the personnel structure arises from the reform of the functional and organizational structures. On one hand, with the vanishing of the function of organizing and directing production, supplying and marketing activities, and with the decrease in the number of organizations, the size of the contingent of personnel will inevitably be correspondingly greatly reduced. On the other hand, with the rising need for scientific macroeconomic policy formulation, and with the strengthening of advisory bodies, there must be a great increase in the number of people needed for the satisfactory formulation of macroeconomic policies, such as experts in social engineering and systems engineering, mathematicians, statisticians, economic management experts, and so on. Such is the reform in the personnel structure of the state's economic management departments.

Abstract reasoning invariably does not leave such a deep impression as concrete facts do. Because at present, people have not adequately paid attention to this issue, it is necessary to introduce here some relevant circumstances in Hungary. Not long ago, some personnel of Hungary's Central Statistical Bureau told the comrades of our country's observation group that subsequent to their economic reform, the work of their statistical bureau changed greatly and they began to pay greater attention to analyzing major problems; for example, analyzing and studying the effects of various regulatory means on the economy, studying how net income can be optimally distributed between the state and the enterprises, studying the enterprises' wages funds and their relationship with the accomplishment of tasks, and so on. Every year, the bureau conducts a family livelihood survey of 2,300 families of various types, such as those of workers, peasants, mental workers, retired persons, and so on. It analyzes facts related to their income and consumption, and also changes in their consumption pattern. A special research office under the statistical bureau is responsible for making forecasts, three times a year. Once every 2 years, the bureau prepares an input-output table providing information about 30 sectors, and once every 3 to 5 years, it prepares another such table concerning 100 sectors. Some 1,000 people of the statistical bureau, or approximately 7,000 people if those belonging to local statistical departments are included, are involved in the carrying out of these tasks.

What we have described is just a small part of the work which must be done to do a good job of macroeconomic policy formulation. However, we can see from this that making macroeconomic policy formulation more scientific cannot depend on our wish alone; it requires us to do a great deal of arduous and meticulous work. The agencies and personnel of our existing economic management departments are incapable of meeting the needs. Not to mention the issuing of arbitrary and impracticable directions, marked by "great determination with little knowledge of the situation," our government bodies and personnel are probably incapable of doing a good job of scientific economic policy formulation. Last year, several mathematicians proposed using the scientific method of input-output tables to achieve a satisfactory comprehensive national economic equilibrium. According to our knowledge, some foreign friends have also put forth similar ideas. This is really necessary in the light of the requirements of making economic policymaking more scientific. However, this is not feasible in the light of the foundation of our work and other objective conditions. The way out is to reform the functional, organizational and personnel structures of our economic management departments, so that conditions will be created for the attainment of this goal.

CSO: 4006/1

NATIONAL POLICY AND ISSUES

RECLASSIFICATION OF BRANCHES OF NATIONAL ECONOMY NEEDED

Beijing TONGJI [STATISTICS] in Chinese No 2, 10 Jun 81 pp 35-37

[Article by Li Huihong [2621 1863 1347]: "Some Views on the Classification of Branches of Our National Economy"]

[Text] Since 1955, China has been classifying the branches of the national economy for planning and statistical purposes. Under the present conditions, the classification is not quite scientific and should be revised. Our country is now working out its Sixth Five-Year Plan and some long-range plans, and it has decided to start the third national census on 1 July 1982. Many data will be sorted out according to the different branches of the national economy; therefore, a timely revision of the classification of the branches of our national economy is urgently needed. How will the revision be carried out? Here are some of my personal views, offered for reference and study, on some related problems.

I. System Used as Basis for Revision of Classification

In Western countries, classification of the branches of the national economy is called "classification of production in all economic activities" (translated as classification of production or classification of trades). Bourgeois economists hold that all remunerative economic activities are productive as components of social production. On this basis, they divide the structure of production into three different parts:

Primary production--consisting mainly of agriculture, which includes animal husbandry, forestry, fishery, and hunting.

Secondary production--consisting mainly of manufacturing trades, also including mining.

Tertiary production--also called production of a service nature, including construction, transportation, communications, commerce, banking, professional services, administration, and the practice of law.

This method of classification is consistent with the requirements of human life, the division of social work, and the development of economic activities. However, the contents of the tertiary production as so classified have been constantly revised in Western countries. In Japan, for example, the construction trades have been taken out of tertiary production and listed among mining and manufacturing

under secondary production. Simon Kuzmetz, a U.S. economist, has classified communications, transportation, and the supply of electricity, gas, and water as secondary production. In India, "mining including extraction of ores and tunneling" is included in primary production. From this, we can see that although the methods of classification used by Western countries are generally the same, a unified method of classification is still lacking, and the demarcation between the different categories is not clearly defined. The "Standard International Classification of Trades" set up by the United Nations does not insist on a unified standard of classification by all countries, as long as the small branches of different categories can be reconciled.

The method of classifying national economic branches adopted in the Soviet Union and the member nations of CEMA in Eastern Europe is called the Eastern System; in it, all trades and professions are divided into two major sectors--the material-production sector and the nonmaterial-production sector. The Soviet classification of national economic branches is as follows:

I. Material-Production Sector: (1) Industry; (2) Agriculture; (3) Forestry; (4) Transportation; (5) Posts and telecommunications; (6) Construction; (7) Commerce; (8) Public catering service; (9) Supply of material and technical services, marketing, and procurement.

II. Nonmaterial-Production Sector: (1) Housing, public utility and daily community service; (2) Public health, sports, and social security; (3) Education; (4) Culture; (5) The arts; (6) Science and scientific services; (7) Credit and national insurance; (8) State and economic management organizations.

According to Marxist theories of political economy, the production of materials under any social system is the foundation of the existence and development of human society. Material production means the production of capital goods and consumer goods required by human society. The sum total of products from all material-production sectors forms the total social product. There must be an accurate demarcation between the material-production sector and the nonmaterial-production sector in the national economy before we can study the relationship between the accumulation and consumption of national income and the relationship between distribution and redistribution in the course of social reproduction, and also before we can study the relationship and ratio of exchange between the first and the second category within the realm of material production and the determine the speed and scope of expanded social reproduction. Therefore, it is my opinion that the three different types of production as classified by Western countries have the following defects:

First, the lack of a concept of difference between material-production sectors and nonmaterial-production sectors. Primary production and secondary production in the West come under the material-production sector, while tertiary production belongs mainly to the nonmaterial-production sector. Yet, tertiary production includes construction, transportation, communications, commerce, catering, and the supply of electricity, gas, and water--some of which belong to the material-production sector. Certain exceptions may be found in the branches or subbranches of the sector, but such exceptions are rare or in some cases nonexistent.

Second, the lack of demarcation between industry and agriculture. Demarcation between industry and agriculture is of great significance for an analytical study

of the process of social reproduction. The process of production and reproduction in agriculture, forestry, and fishery goes hand in hand with the natural growth and propagation of animals and plants. The end of growth and propagation for animals and plants in natural life marks the beginning of their involvement in industry. In the sense of production, ocean fishing, lumbering and other forms of exploitation of natural resources are, like mining, under the category of industry. Yet Western countries and the United Nations list them under the category of agriculture, forestry, and fishery, while some countries place mining on the same footing with agriculture, to be classified as primary production, thus blurring the demarcation and relationship between industry and agriculture.

Third, the lack of a complete and independent industrial concept, although, according to the Western method of demarcation, industry is an important sector in the sphere of material production. Sometimes, Western countries view processing industries in the same light as they do mining, while supply of electricity, gas, and water is included in tertiary production. Sometimes, mining is detached from industry and classified as primary production along with agriculture, forestry, and fishery; sometimes, construction, transportation, and communications are associated with mining and the processing industry, to be included in secondary production. There seems to be no end to the confusion.

Finally, it may be pointed out that although the nonmaterial-production sector does not produce material objects, the labor involved is necessary in a socialist society as well as the overwhelming majority of a capitalist society. It shows the enrichment and improvement of people's cultural and material life as a result of higher social labor productivity. In a modern society, the major branches of the nonmaterial-production sector should be singled out for separate study. However, these departments are only loosely defined in Western countries. According to the standard classification by the United Nations, the entire nonmaterial-production sector is divided into only two departments: government, society and personal services; and banking, insurance, real estate, and business services. This method of classification is unsuitable for studies of the development of culture and the promotion of welfare in society.

Classification of the branches of the national economy has to do with the reflection of the composition of social production and the process of social reproduction at the present stage, and not with the reflection of the social structure from social production development in the past. Therefore it is my opinion that in revising the classification of the branches of our national economy, we should basically adopt the Eastern System, while at the same time making use of certain strongpoints in the Western method. Classification of the branches for statistical purposes should be identical to what is used for planning purposes. Both the statistical and the planning departments should put their heads together in handling problems and study in order to arrive at a satisfactory balance of the national economy.

II. How To Revise the Classification of the Branches of Our National Economy

In 1957, there were nine major branches of our national economy. In 1979, after the National Science Conference, the number of branches was increased to 10:

(1) Industry; (2) Construction and material resources prospecting; (3) Agriculture, water conservancy, and meteorology; (4) Communications, transportation, and posts and telecommunications; (5) Commerce, catering, service trades, and the supply and

marketing of materials; (6) Public utilities in the cities; (7) Scientific research; (8) Culture, education, public health, and social welfare (9) Banking; (10) State organs and mass organizations.

This method of classification, basically a form of the Eastern System, has the following defects:

First, the lack of a clear demarcation between material-production and nonmaterial-production sectors. For example, the service trades of nonmaterial production, the catering trades of material production, and commerce, which is a continuation of the material production process, are all included in one department. Water conservancy and meteorology in the nonmaterial-production sector, and agriculture and forestry in the material-production sector, are all included in one department. And so forth.

Second, the lack of a clear demarcation between industry and agriculture. For example, industry run by production brigades in the countryside has the characteristics of industrial production, and the vast majority of such industries have the three basic qualifications of industrial production units. Yet they are included in agriculture instead of in industry. Ocean and sea fishing are included in agriculture, although they also belong to industry. The demarcation is not clear.

Third, confusion in affiliation. Many branches of our national economy are now classified according to the nature of each social economic unit. However, according to many regulations, there are also others classified according to administrative control. Hence the confusion.

As to the revision of classification, here are my initial views:

First, all trades and professions of the national economy should be classified as either material production or nonmaterial production. There should be no confusion between them.

Second, in social production and activities, all units and their affiliated sections should be classified according to the common traits of the economic units in the social division of work, instead of the administrative systems to which these units belong.

Third, mining, lumbering, and ocean fishing, though under the category of industry, are different from processing industry. We should adopt the strongpoint of the West and classify these industries as major independent branches, instead of mixing them up with the processing industry.

Fourth, there should be a clear demarcation between industry and agriculture. Production brigade-run industries in the countryside should be under the category of industry instead of under agriculture.

Fifth, study and investigation should be conducted on each department of the nonmaterial-production sector, and the demarcation between different departments should not be too loose. At present, there is an urgent need in our country to develop housing, public utilities, daily community services, education, and scientific research. Suitable departments should be created for each of these undertakings.

Sixth, bearing in mind the above principles, we should note the old methods used in our country as well as the foreign methods of classification, while working out our new method of classification.

Based on the above views, the new method of classification of the branches of the national economy will be tentatively as follows:

A. The material-production sector will include:

1. Agriculture, forestry, and the breeding of maritime products.
2. Industry (including brigade-run industry in the countryside): (1) Mining, quarrying, and gathering of natural resources (including lumbering and ocean fishing); (2) electricity, gas, and water supply; (3) processing and manufacturing.
3. Construction.
4. Transportation, storage, and communications.
5. Commerce and catering.
6. Supply of material and technological services, marketing, and procurement.

B. The nonmaterial-production sector will include:

1. Housing, public utilities, and daily community services (including hotel business).
2. Public health, sports, and social security.
3. Education, culture, and the arts.
4. Scientific research and scientific services.
5. Credit and insurance.
6. State organs and mass organizations.

III. Demarcation Between Units According to Classification of National Economic Branches

Which social economic units should be used as the basis for classifying the branches of national economy? This should be determined by the objective of the classification.

Enterprises and establishments with independent accounting and the independent administrative units are the embodiment of social economic activities at the basic level. These units naturally become the basis for computing national income, studying the balance between consumption and accumulation, and distribution and redistribution in the national economy. Therefore, to meet the requirements for study of a national economic balance, it should be proper to take the basic-level enterprises and establishments with independent accounting and the independent administrative units as the basic units in the classification of national economic branches.

Integrated enterprises, companies, and general plants are enterprises and establishments with independent or semi-independent accounting. Therefore, they usually produce goods of different industrial categories. Large integrated enterprises, companies, and general plants are themselves large business administrative organs, and their affiliated plants, mines, enterprises, and establishments with independent accounting should be included in different national economic branches or categories according to their own characteristics. For example, mines should be included in the mining trade; chemical-industrial plants should be included in the chemical industry; cement plants should be included in the construction material industry; hospitals should be included in public health; and so forth. There are some fairly large units in integrated enterprises, companies, or general plants, and these units do not enjoy independent or semi-independent accounting. The method of classifying these units should be studied further.

Many enterprises and establishments in our country are performing the functions of social service organs, as evidenced by the appearance of mess halls, schools, medical centers, and guesthouses run by plants. How to classify these units? One way is to classify them in the same way that the enterprises or establishments to which they belong are classified, provided these units do not enjoy independent accounting. As an alternative, we can classify them as different trades and undertakings according to the nature of the social service they offer. But which is the better way? This question can be answered only after further study.

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CSO: 4006/485

ECONOMIC PLANNING

MEASURES FOR IMPROVING STATISTICAL WORK PROPOSED

Beijing TONGJI [STATISTICS] in Chinese No 2, 10 Jun 81 pp 28-30

[Article by Fu Kang [0265 1660] and Song Ying [1345 3841]: "Some Views on Doing a Good Job in Present Social Statistical Work"]

[Text] Social statistics is an important component of social economic statistics. The scope of social statistics is fairly broad, and the question as to the different fields it covers should be studied carefully. Under our present statistical system, social statistics should deal with population, family planning, the labor force, labor productivity, wages and fringe benefits, scientific research, culture, cultural relics, education, public health, publications, radiobroadcasting, sports, and the environment. To serve the policies of further economic readjustment and political stability and unity, and to facilitate the planning of economic and social development, the work of social statistics should be greatly strengthened. Based on the present statistical system, the following views are offered on how to improve social statistical work.

I

Population statistics means an enumeration of the population with details as to its composition, its geographical distribution, and its tendency to increase or decrease. These population statistics figures are an important indication of conditions in and the potential of a country, as well as an important basis for national planning on production, consumption, culture, education, and public health. For example, population figures can be used as the basis for working out per capita consumption, the average number of students in school or the [number of] hospital beds for every 10,000 people, the average amount of floorspace for the population, and so forth. Ours is a socialist country; every plan, policy, and measure worked out should reflect the fundamental interests of the working people, and all action and planning should be based on the fact that we have a population of nearly 1 billion. To improve the people's material and cultural life, the state should also treat the control of population growth in a planned way and as a long-term strategic task. Therefore, whether or not we can do a good job in population statistical work has a close bearing on the formulation of our plans and policies. Furthermore, ours is a populous country, and our population amounts to a quarter of the world's population. Therefore, our population figures are also a matter of concern for the whole world.

At present, our population statistics are still far short of requirements at home and abroad. That is why the Central CCP Committee and the State Council have decided to conduct a third national census. This census will be more complicated than those conducted in 1953 and 1964, and electronic computers will be required to work out the final results. There are more than 200 million households with nearly 1 billion people throughout the country. A door-to-door investigation or a complete registration of every individual will involve a tremendous amount of organization, investigation, and technical measures. Therefore it is necessary for leading organs to be set up at every level for the general census, and the statistics departments and the departments concerned should pool their resources to accomplish this arduous task. First, general census organs should be set up and adequately staffed at the provincial level, with particular attention being paid to trial spots. Electronic computer centers should be quickly set up along with the training of personnel.

While conducting the general census, we should continue the careful handling of our regular work on population statistics. Along with the progress of the national economic readjustment and the work of family planning, it is particularly important for us to keep abreast of the changes in the size of our population. In compiling regular population statistics, we should particularly stress the need to seek truth from facts and to report the figures of births and deaths truthfully. We must not exaggerate the achievement of family planning by falsifying reports on the number of births. In the present population report forms, the methods for computing certain items, such as the method to distinguish the agricultural from the nonagricultural population, are not quite rational. They should be further revised after research.

II

Statistics on labor power mainly include the number of employed and unemployed people in society. Laborers are the creators of social wealth, and a comprehensive, timely, and accurate report on the number of employed and unemployed people in society constitutes important data for the state in working out its labor policy and in formulating and studying its labor planning. Statistics in this aspect are particularly important during the present national economic readjustment, for the following reasons:

1. We have a large population and very rich manpower resources. Despite the great achievement in providing jobs over the past 4 years, there are still many people in 1981 who are awaiting employment in the cities, in addition to the school graduates and the soldiers returning to civilian life. The task of placement is therefore still very arduous. Further economic readjustment in 1981 calls for the drastic curtailment of capital construction projects and the "closure, suspension, amalgamation, and conversion" of some enterprises; a number of workers and staff members have to be relocated, thus adding to the burden of placement. That is why the leadership at various levels requests the statistics departments to supply regular and timely information on the question of employment and its development.

2. Both socialist and capitalist societies like to see a certain ratio in the distribution of labor and the means of production among the different branches of the national economy. For more than 10 years, the distribution of the labor force has been largely affected by an irrational economic structure, and thus it has not been able to be carried out in a planned and proportionate way according to the

objective requirements of socialist production. This has resulted in disharmony in the composition of the labor force among different departments and within each department. This has to a certain extent adversely affected the development of agriculture and light industry and the improvement of living conditions of the urban and rural population, and has given rise to overstaffing in some trades and undertakings and a lack of personnel to attend to certain jobs in others. To meet the requirements of the four modernizations, the party and state are now actively carrying out a further readjustment of the economic structure, in addition to providing jobs for many people. There will be great changes in the distribution of the labor force among different localities, between cities and the countryside and the different systems of ownership as well as among different sectors of the national economy. It will be necessary for us to report and study these changes and the inherent problems in good time.

3. Of the nearly 1 billion people in our country, some 800 million are living in the countryside, with some 300 million engaged in agriculture. Along with the natural growth of the rural population, and particularly with the transformation of agricultural techniques and the implementation of various economic policies in the countryside, more of the labor force will gradually be displaced from agricultural production. Our party has attached great importance to this matter and has introduced policies and measures for developing multiple undertakings in the countryside and for selectively building small towns. The agricultural labor force will then gradually be shifted to nonagricultural undertakings as an inevitable trend. As a prerequisite, however, there must be sufficient manpower left and a large increase in labor productivity for agriculture. Therefore, the question as to when, under what conditions, on what scale, and at what speed this shift should take place must be carefully studied, with the aid of prompt statistical information.

We have already set up separate systems of monthly, quarterly, and annual reports on the number of workers and staff members in units owned by the whole people and by the collectives in cities as well as units of other economic systems, in addition to the system of annual reports among the people's communes in the countryside. Furthermore, labor departments have compiled quarterly statistics on the disposition of people awaiting jobs in the cities and towns. Now, on the basis of highly informative statistics on various types of professional manpower, we should further improve statistics on the comprehensive balance of the labor force and provide facilities for the trial compilation of a balance sheet for labor and its distribution, to be used in studying the use and potential of the social labor force. This will keep us informed of the utilization and distribution of workers between productive and nonproductive departments, within each department, and among various districts, urban and rural areas, and the different systems of ownership. At the same time, prompt reports should be made periodically, particularly as to the increase or decrease of workers and staff members under the systems of ownership by the whole people and by the collectives, in order to help with investigations into the implementation of labor planning and to reflect the increase in job opportunities. It is also necessary to carefully study the placement of workers and staff members of enterprises that have been closed, suspended, amalgamated, and converted in the current year and to find out how work in this connection has progressed, what has become of these workers and staff members, and how their wages are being paid. We should also study the utilization of the labor force in existing enterprises and the economic results. If possible, we should conduct more typical investigations to keep ourselves informed of any problems in the disposition of manpower and of the influx of labor from the countryside into the cities.

Labor force statistics are broad in scope and involve many factors, complex standards, and important policy issues. There are still many problems, such as the absence of a complete system and reliance on only a single statistical method, which should be studied and solved. The present inconsistency between our tasks and our capabilities should be readjusted as soon as possible.

III

The main indexes of statistics on wages and fringe benefits are the total wage fund, the total amount of labor insurance benefits, and the average wage. The total wage fund is the main source of income for workers and staff members, while labor insurance benefits are a supplement to wages. Both are important components of national income and consumption. Average wage is an important means of measuring the standard of living of different types of workers within a certain period among different departments, areas, and systems of ownership. The purpose of developing production in a socialist country is to continually improve the people's material and cultural life, and statistical data on wages and fringe benefits can reflect the main aspect of the workers' material and cultural life. Hence the importance of this type of statistics.

In recent years, the party and state have attached great importance to improving the people's living conditions; there were two large-scale wage readjustments in 1977 and 1979, along with a restoration of the piecework wage system, rewards, and subsidies in some areas. Experiments have also been carried out in the expansion of decisionmaking power for the enterprises, whereby business results of enterprises are tied to the economic benefits of individual workers and staff members. At an earlier stage, however, some departments and units onesidedly stressed the role of material incentives at the expense of ideological education. Their lavish payment of bonuses and subsidies increased government spending and brought about increased deficits. The party and state are now continuing to readjust the ratio between accumulation and consumption and between production and livelihood. While stepping up political and ideological work, they have also set fairly distinct policy limits as the criterion for offering rewards. This will be of great assistance to the implementation of the wage plan, the exercise of supervision, and the conducting of investigations with the aid of statistics. Although a system of periodical reports and annual reports has been set up for statistics on wages and fringe benefits, the reported figures are not quite accurate, and analysis of this subject is still not adequate. To strengthen such statistical work, we must first stress the need for accurate figures, especially the figures on rewards. According to sample investigations conducted recently in various localities, the omission of rewards in reports has been quite prevalent. The reasons have been deliberate omissions in some units and the incompetence of statistics personnel in enforcing a strict system in others. All departments and areas should carefully note the causes of the omissions, take the necessary measures to rectify the situation, and then step up their analytical study. Improvement of the people's livelihood should be based on the development of production and the rise of labor productivity. It is particularly necessary that improvements in livelihood should be commensurate with increases of consumer goods. The whole country should carefully analyze the increase of wage and fringe benefit expenses, the rise of labor productivity, and the relationship between increased national income and increased national consumption. In analyzing rewards, enterprises should pay attention to the relationship between increases in rewards and increases in production and profits, and the

relationship between rewards and standard wages. Increases in wages and fringe benefits must be consistent with production increases. However, good production in one enterprise (department or area) is inseparable from support from various quarters. An increase in wages and fringe benefits in one enterprise (department or area) should be carried out in consideration of the overall situation, and particularly in consideration of the relationship with its neighbors, instead of as an isolated locality. Therefore we must analyze and compare the wages of different departments, areas and units of different systems of ownership and various types of workers and staff members. We should also study the relationship between wages in terms of money and the index of workers' living expenses; this will reflect the actual improvement in workers' living conditions.

IV

In addition to the above, social statistics also includes statistics on scientific research, culture, cultural relics, education, public health, publications, radio-broadcasting, sports, and the environment--all of which should be strengthened. First, the scientific and cultural level of the whole nation must be raised before the state can accomplish its modernization. In striving for the four modernizations, there must be a large number of scientific, technological, and managerial personnel, and all of them must be both Red and expert. It is thus necessary to promote scientific research, culture, education, broadcasting, television, and publications. Secondly, in raising the standard of cultural life and in fostering spiritual civilization so that people of all nationalities, under the leadership of the party and the government, will be united as one and strive for the four modernizations with renewed spirit, we must likewise promote culture, education, public health, sports, and other similar undertakings. Therefore, in addition to a long-range plan for social development, the state should also work out long-range plans for economic development. Although the national economy is now undergoing readjustment and the capital construction front is being shortened, scientific research, culture, education, and so forth should still be developed, if this is at all possible. In order to work out a long-range plan for social development, we should strengthen statistical work in this respect so as to reflect the general situation and bring to light specific problems in the readjustment and development of scientific research, culture, education, and so forth.

Statistics on scientific research, culture, education, public health, and similar aspects should be carried out with the aid of relevant departments under the State Council. A certain foundation has already been laid, although the development is uneven. Some statistics, such as environmental statistics, are still in an early stage, and efforts should be made to further strengthen them. Some statistical figures are not quite accurate, the classification of certain standards is not scientifically rational, and analytical work has not been sufficiently popularized. The statistical departments should be thoroughly familiar with these problems and help the departments in charge solve them. They should join the comrades of the departments in charge in making use of comprehensive statistical data in combination with certain sampling and typical data obtained after investigations, and start their analytical study. At present, stress should be laid on the need to reflect the readjustment and development of scientific research, culture, education, and public health, as well as the problems of opening more avenues for schooling, reforming the structure of secondary education, training workers and staff members regularly, strengthening the ranks of scientific and technical workers, and improving public health in the countryside.

The standards for social statistics have different contents and features of their own, but they are all closely interrelated. While strengthening social statistics, we should also see to it that the classification of statistical standards is consistent with the methods of computation. We should also begin the study of overall balance, so that social statistics will play an even more important role.

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AGGREGATE ECONOMIC DATA

STATISTICAL DATA FOR FIRST 4 MONTHS OF 1981

Beijing TONGJI [STATISTICS] in Chinese No 2, 10 Jun 81 pp 47-49

[Special Feature: "Statistical Data of National Economy"]

[Text] I. Industry: Industry and Communications-Transportation Production from January through April 1981.

II. Domestic Commerce: Supply of Commodities in Urban and Rural Market from January through April 1981.

Industry and Communications-Transportation Production

	<u>Unit</u>	<u>Quantity</u>		<u>Comparison (%)</u>	
		Jan-Apr 1981	April 1981	Jan-Apr 1981 vs Jan-Apr 1980	Apr 1981 vs Apr 1980
1. Ttl Industrial Output	100 million yuan	1,583.0	424.7	100.4	101.8
Light industry	"	795.5	213.5	110.6	112.2
Heavy industry	"	787.5	211.2	91.8	93.2
2. Main Products Output					
Bicycles	10,000	490.8	132.1	124.7	127.7
Sewing machines	"	289.3	81.2	124.3	128.9
Wristwatches	"	846.3	226.2	124.3	123.2
TV sets	"	120.0	37.2	196.7	220.1

		<u>Unit</u>		<u>Quantity</u>		<u>Comparison (X)</u>	
				Jan-Apr 1981	April 1981	Jan-Apr 1981 vs Jan-Apr 1980	Apr 1981 vs Apr 1980
Radio sets	10,000			1,408.4	397.3	192.9	189.3
Cameras	"			15.6	4.2	148.9	149.3
Laundry machines	"			18.0	6.0	399.0	349.0
Chemical fiber	10,000 tons			17.3	4.5	123.9	117.5
Cotton yarn	"			99.0	26.2	105.3	105.7
Cotton cloth	100 million meters			43.6	11.8	101.5	102.2
Sugar	10,000 tons			204.4	15.5	124.6	186.7
Salt	"			303.2	180.0	103.5	104.8
Cigarettes	10,000 crates			510.8	134.6	100.8	104.1
Machine-made paper and cardboard	10,000 tons			163.1	45.0	96.5	99.0
Coal	100 million tons			1.84	0.50	92.6	95.5
Crude oil	10,000 tons			3,325.8	826.3	94.7	94.8
Electricity	100 million kwh			967.2	248.7	100.2	101.6
Including hydropower	"			166.5	56.1	118.7	122.3
Steel	10,000 tons			1,168.8	308.2	93.9	94.8
Pig iron	"			1,136.3	289.2	89.9	90.4
Rolled steel	"			855.2	213.5	93.7	90.9
Coke (machine made)	"			1,041.2	261.7	91.3	89.8

	<u>Unit</u>	<u>Quantity</u>		<u>Comparison (%)</u>	
		Jan-Apr 1981	April 1981	Jan-Apr 1981 vs Jan-Apr 1980	Apr 1981 vs Apr 1980
Sulphuric acid	10,000 tons	248.5	64.4	98.2	94.1
Soda ash	"	54.3	13.5	99.7	98.6
Caustic soda	"	60.2	16.2	93.0	97.4
Chemical fertilizer	"	406.1	112.3	93.9	99.0
Chemical pharmaceuticals	"	1.1	0.3	76.6	80.6
Chemical insecticides	"	17.2	4.6	86.8	88.1
Plastics	"	28.8	7.7	89.8	92.3
Timber*	10,000 cubic feet	1,016.0	171.0	94.5	88.1
Cement	10,000 tons	2,463.5	661.6	101.0	101.7
Plate glass	10,000 Standard crates	940.3	222.2	104.4	99.3
Mining equipment	10,000 tons	3.5	0.8	59.0	76.4
Metal cutters	10,000 sets	3.46	0.81	87.7	78.9
Motor vehicles	10,000	6.46	1.58	89.0	77.9
Tractors	"	2.62	0.66	66.3	64.1
Locomotives	each	152.0	40.0	93.3	114.3
3. Communications- transportation					
Railway freight	1,000 million tons	3.29	0.87	93.1	95.6

	<u>Unit</u>	<u>Quantity</u>		<u>Comparison (%)</u>	
		Jan-Apr 1981	April 1981	Jan-Apr 1981 vs Jan-Apr 1980	Apr 1981 vs Apr 1980
Cargo transported by ships under Ministry of Communications	1,000 million tons	0.43	0.12	94.6	100.0

*Quantity includes figures for Northeastern and Inner Mongolian forest areas only.

Supply of Commodities for Retail Sale in Urban
and Rural Markets

	<u>Unit</u>	<u>Quantity</u>		<u>Comparison (%)</u>	
		Jan-Mar 1981	Mar 1981	Jan-Mar 1981 vs Jan-Mar 1980	March 1981 vs March 1980
Retail Sales Volume	100 million yuan	575.4	182.9	108.9	112.1
Including retail sales of consumer goods	"	498.3	144.8	109.9	114.5
Main items sold					
Pigs	10,000 head	3,042.8	795.8	95.1	111.6
Fresh eggs	10,000 jin	17,949.5	7,109.0	92.1	84.6
Sugar	10,000 ton	94.0	22.9	98.6	101.3
Cotton cloth	100 million meters	21.5	6.1	92.7	101.7
Mixed cotton and chemical fiber cloth	"	5.8	1.9	129.0	144.4
Chemical fiber cloth	"	2.2	0.7		

	<u>Unit</u>	<u>Quantity</u>		<u>Comparison (%)</u>	
		Jan-Mar 1981	Mar 1981	Jan-Mar 1981 vs Jan-Mar 1980	March 1981 vs March 1980
Sewing machines	10,000	136.8	52.6	105.3	119.5
Wristwatches	"	559.0	172.0	120.2	131.7
Bicycles	"	251.5	98.0	103.0	111.6
Transistor radios	"	700.1	167.1	129.0	128.0
TV sets	"	126.6	35.6	203.9	185.4
Coal	10,000 tons	3,324.8	1,215.0	89.6	99.0

Note: Volume of retail sales does not include retail sales from peasants to nonagricultural residents. The figures for main items sold refer to sales by units owned by the whole people.

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FINANCE AND BANKING

CALL FOR EFFORTS TO MAINTAIN FINANCIAL BALANCE IN YUNNAN

Kunming YUNNAN RIBAO in Chinese 15 Aug 81 p 1

[Article by correspondents Wang Yongdian [3769 3057 3329] and Wang Zhidong [3769 1807 2639]: "Provincial Financial Work Conference Called on All Localities To Create More Sources of Revenue and To Close Loopholes in an Effort To Achieve Financial Balance in the Province"]

[Text] Actively create sources of revenue, energetically close all loopholes, and achieve a financial balance for the current year—these were the central topics discussed in the recent provincial financial work conference.

The conference held that in order to increase revenue and curtail expenditures in the province this year, the following tasks must be carefully attended to:

We should actively create sources of revenue and strive to increase both production and income. Great efforts must be made to support and promote multiple undertakings in agriculture and to develop the production of industrial consumer goods. Particular attention should be paid to cured tobacco, cigarettes, sugar, wine, tea, and the other cash crops and industrial products that have a strong impact on the revenue of the province. At the same time, there should be no relaxation of efforts on other nonessential sources as long as they can bring profits and revenue in the form of taxes.

Control over taxation and the financing of enterprises should be strengthened, and all forms of "evasion, falsification, leakage, and omission" must be resolutely stopped. Some enterprises, departments, and units have added to their production costs at will or have raised the ceiling on their spending have indulged in extravagance and waste, and "eat out of the same pot" without any regard for economic accounting. Some of them have even resorted to fraudulent means of tax evasion, or have unscrupulously used funds which should have been handed over to the state as profits. All of these loopholes must be closed. This action will not only add to the state revenue but will also correct unhealthy tendencies in the economic sphere and help carry forward the party's glorious traditions and workstyle. Taxation and finance departments at all levels should assist the enterprises and units in streamlining their financial control, in keeping to the financial system, and in upholding financial and economic discipline as important tasks for the second half of this year.

The principle of attempting only the possible and avoiding overcommitment in financial matters must be upheld, and all expenditures must be strictly controlled. All items not included in the budget should be carefully checked at all levels, so that no reduction of revenue or increase in expenditures can be overlooked. The funds provided for in the budget should be promptly handed down to the basic-level units for their use. There should be no withholding of any portion or delay in forwarding at any level, since this may lead to the loss of good opportunities for the funds to produce the desired effects.

We should continue to implement all policies and adopt all measures that may help the economic readjustment. In the past 2 years, various economic policies which have been proved to be effective in financial circles—such as the experiments with expanded financial power for the enterprises, retention or sharing of profits by enterprises, their responsibility for profits and losses, their retention (or sharing) of surplus profits (or savings from reduced losses), responsibility for expenses for administrative establishments and the retention of surpluses, rewards for the practice of economy, and so forth—should be continued with unswerving determination. We should continually sum up our experiences in the course of implementing these policies, so that these policies can be continually improved.

The conference pointed out that the maintenance of a financial balance for the province this year is a fairly arduous task which calls for a great deal of effort. We must have a firm grip on all types of work and lose no time. There are only 5 months left in this year. We must check on the results of our implementation of these policies every 10 days and every month, bring problems to light, and promptly solve them in an effort to increase our income and make better use of our funds.

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FINANCE AND BANKING

BRIEFS

XINJIANG TAXATION WORK--According to statistics compiled by 11 prefectures, autonomous prefectures and municipalities in Xinjiang region, by the end of July, some 6.85 million yuan of taxes in arrears had been discovered and some 1.53 million yuan had been recovered and paid into the national treasury. In the eight counties in Changji Hui Autonomous Prefecture, 91 tax evasion cases have been discovered, and taxes evaded which amounted to some 11,000 yuan have been recovered. The great majority of counties and municipalities in the region has now basically completed inspection of tax evasion and taxes in arrears. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 28 Aug 81 HK]

ZHEJIANG CONSTRUCTION BANK--Since 1972 the Zhejiang Construction Bank has extended loans totaling more than 88.8 million yuan to 393 enterprises for the specific purpose of developing production of export industrial products. As of the end of August this year 338 construction projects had been completed and put into operation, increasing output value by more than 548 million yuan annually and foreign exchange earnings by more than U.S. \$146.9 million annually. [Hangzhou Zhejiang Provincial Service in Mandarin 1040 GMT 23 Sep 81 OW]

CSO: 4006/1

ENERGY

BRIEFS

LIAONING POWER LINE--A 500,000-volt extra-high tension power line, the first of its kind built with Chinese-produced equipment, was put into operation in mid-September in Liaoning Province after 2 years of construction. The 159-kilometer long power line links Jinzhou in the west with Liaoyang in the east, crossing the Dalinghe, Liaohe, Huihe and Taizihe Rivers and Yiwulu Mountain. It has 372 pylons weighing over 15,000 tons. Compared with 220,000-volt power lines currently used in the province, the new power line will increase the power supply capacity by 5 times, reduce electricity loss by 80 percent and conserve 40 million kwh every year. [SK261044 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 25 Sep 81]

LIAONING COAL MINING CONSTRUCTION--Liaoning Province has made new progress in coal mining capital construction in 1981. Eight mines with a designed annual capacity of 9.9 million tons are under construction. Shenyang colliery's No 1 (Hengyang) pit with a designed annual capacity of 900,000 tons is about to be put into production. [SK270702 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 26 Sep 81]

CSO: 4006/1

MINERAL RESOURCES

BRIEFS

HENAN CHROMIUM CARBIDE DEPOSIT—Zhengzhou, 20 Sep (XINHUA)—A deposit of chromium carbide, a mineral with a hardness next only to diamond, has been discovered in the Liuzhuang area of Tongbai County, Henan. It was discovered by Henan geological personnel when they analyzed a rock from the Liuzhuang area. Associated minerals such as iron, gold, platinum, chromium and diamond can usually be found along with chromium carbide. [OW231453 Beijing XINHUA Domestic Service in Chinese 0019 GMT 20 Sep 81]

CSO: 4006/1

INDUSTRY

SHANGHAI METALLURGICAL INDUSTRY OPERATIONS EXAMINED

HK240554 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 8, 15 Aug 81
pp 20-23

[Article by Duan Wensheng [3008 2429 3932] and Liu Xingli [0491 5281 0448] of the Investigation and Research Office of the Metallurgical Industry: "How the Shanghai Metallurgical Industry Manages To Decrease Output Without Decreasing Profits"]

[Text] The Shanghai Metallurgical Industry, which comprises 47 production units and over 150,000 staff and workers, has practiced the retention of a certain percentage of profits within the enterprise units since 1979. They no longer request capital construction investments from the state and have decided to promote production through their own efforts by improving the economic effects of the existing enterprises. Compared with 1978, steel production increased in 1979 and 1980 by 650,000 tons, rolled steel by 890,000 tons, while profits increased by 1.695 billion yuan and the total output value by 6.85 billion yuan. At the same time, quality was improved, varieties increased, and consumption lowered, thus 385,000 tons of standard coal was saved. In the past 2 years, the enterprises only retained 8.3 percent of the realized profits for the production development fund, welfare fund and award fund for themselves; and submitted the remaining 91.7 percent to the state. The amount of profits they turned over to the state in the past 2 years is equivalent to 5 and 1/2 years average profits for the whole industry in the 30 years since the founding of the people's republic. Compared with 1978, the profits made by the Shanghai Light Industry Bureau in 1979 increased by 4.5 percent, the profits made by the Textile Bureau by 1.5 percent and that made by the Metallurgical Bureau by 18.7 percent.

As the Shanghai Metallurgical Industry is further carrying out the policy of readjustment this year, the production of steel and rolled steel will decrease respectively by 170,000 tons and 120,000 tons compared with last year. Nevertheless, profits will still be kept on the same level as, or even a little bit higher than, that of last year, that is at 1.47 billion yuan. In other words, they will manage to decrease output without decreasing profits.

1. Changing the Guiding Ideology

The discussion carried out 3 years ago on the statement that practice is the sole criterion for testing the truth was the starting point for cadres at various levels of the Shanghai Metallurgical Industry to change their guiding

ideology for industry. Since over the years emphasis was only put on "taking class struggle as the key link" and "taking steel production as the key link," many enterprises used to pay attention only to the quantitative norm of production and overlooked the economic effects. How well the production norm was achieved was regarded as a political problem while economic effects were scarcely taken into consideration. In some people's minds, "taking the production of steel as the key link" was interpreted as "taking quantity as the key link."

Over the period from 1953 to 1957, the amount of profit made by the Shanghai Metallurgical Industry was raised steadily each year from 20.46 million yuan to 77.31 million yuan, an increase of over 3.6 times. Over the same period, the production of steel was raised from 134,000 tons to 490,000 tons, an increase of 3.7 times. However, with the Great Leap Forward and the vigorous promotion of the production of iron and steel in 1958, the originally adopted guiding ideology which attached equal importance to both quality and quantity was relinquished and the established situation of steady growth and fair economic effects was confused. Compared with 1957, the production of steel in 1959 was raised by 3.3 times whereas profits decreased by 2.2 times. The whole industry suffered a deficit for 3 consecutive years.

Take the Shanghai No 1 Steel Plant for example. In 1957, the plant had 2,748 staff and workers. After the Great Leap Forward in 1958, the number of staff and workers was raised to 16,611 by the end of 1959, a growth of 6 times, and the production of steel also increased by 1.9 times. However, profit decreased by 53 times, and the plant suffered a deficit of 13.59 million yuan in the same year. The loss over 4 consecutive years accumulated to 450 million yuan. After a 3-year readjustment, the production of steel rose and profit also rose. In 1965, a profit of 83.5 million yuan was made, an increase of 96 percent over the best year before the Great Leap Forward. Production decreased as soon as the "Cultural Revolution" began. The output of steel amounted to 1.04 million tons in 1966 and it dropped to 0.86 million tons in 1969, a decrease of 17 percent; while profit decreased from 70 million yuan to 30 million yuan, a decrease of 57 percent.

The fluctuation of the steel production shown above has explained well that taking quantity as the key link and onesidedly seeking a high production norm was an integral factor in the metallurgical industry's bad economic effects and its failing to readjust the internal imbalance in time over the years.

In the discussion concerning the criterion for testing the truth, the 600-odd cadres of the CCP committee of the Metallurgical Bureau and organizations under the CCP committees in enterprises in Shanghai have turned their pondering and discussions to these problems. They put forth an idea of realizing four changes in both ideology and actions following the readjustment of the national economy. The changes are the guiding ideology must be changed from "taking class struggle as they key link" to taking production as the central task; the method of enterprise management must be changed from solely relying on administrative means to doing jobs according to economic laws; the organizing and directing of production must be changed from only paying attention to

quantity and output to stressing variety, quality and economic effects; and in operating style, by attaching appropriate importance to agriculture, light industry and heavy industry, the metallurgical industry must be changed to actively and initiatively serving associated industries and satisfying social needs.

[HK240558] 2. Readjusting the Internal Imbalance

Over the past 30 years, the Shanghai Metallurgical Industry made great contributions to economic construction in Shanghai and throughout the country. However, the "congenital deficient" condition which led to an internal imbalance has existed for a long period of time and has yet to be solved. Such a situation is reflected in a concentrated manner in four problems. First, the blooming capacity lags behind that of steel smelting. The capacity of formed steel production for the whole trade has reached 5 million tons whereas the blooming capacity still remains at 4.25 million tons, 750,000 tons short. Second, the various work procedures are not matched. Although there are 1 million tons of domestic produced steel which need to undergo heat treatment annually, the available heat treatment capacity is at present only 800,000 tons. Third, investment in the nonferrous metallurgical industry for the last 30 years only amounted to 9 percent of the total investment in the whole industry. This has affected the growth in the quantity and variety of nonferrous metal products. Fourth, welfare facilities such as housing for staff and workers remain far behind the actual needs. According to statistics for 1978, out of 123,000 staff and worker households in the whole metallurgical industry the average housing area per person in 11,000 households was under 2.5 square meters.

In the past, we relied entirely on the fund allocation from the state in raising the funds for readjusting the internal imbalance. Such a practice could not change the overall situation although we did contribute a small amount every year. From 1980 on, the production development fund raised from the retained above quota profits made by the enterprises were utilized to solve the internal imbalance stage by stage, group by group, step by step and in a planned way, and therefore the latent power of existing equipment was brought into play. According to the overall plan worked out at the end of 1979, 50 key projects were preliminarily planned to be started in the next 5 years. Some of these projects were completed last year and commenced operation. Last year, 10 million yuan was drawn from the welfare fund raised from the retained profits, and used to build 80,000 square meters of staff and worker housing, of which 50,000 square meters were completed and occupied within the year. In order to expand the blooming capacity, and give full play to the latent power of equipment, a continuous casting machine and a flying shear were newly installed and a 630-model bloomer was reconditioned last year. After the expansion of the blooming and continuous casting capacities, the Shanghai Metallurgical Industry can now consume all the steel it produces and even accepts some small processing orders from outside the municipality. The money expended on technological measures for promoting the nonferrous metallurgical industry also increased from 4.75 million yuan in 1978 to 15.4 million yuan in 1980 and amounted to 31.3 percent of the total expenses of technological measures of that year. Meanwhile, the heat-treatment capacity for rolled steel also rose from 800,000 tons in the last few years to nearly 1 million tons.

The Shanghai Iron Alloy Plant was built during the Great Leap Forward in 1958. It started as a scrap steel handling plant with less than 200 workers. Today, this plant can make a profit of 25 million yuan a year. There were 4,000 staff and workers in the plant at the end of 1980. However, the bath place for the staff and workers, a temporary bathhouse which was designed to be used by less than 200 staff and workers, was not enlarged for over 20 years. Last year, this plant spent 4 million yuan of the retained profit to improve parts of the old productive equipment and build a new bathhouse and some dormitories which amounted to 3,000 square meters. In the Shanghai No 1 Steel Plant which had a production capacity of 400,000 tons, because the capacity of the continuous casting machine, which provided blanks, was insufficient, the mangles in the steel plate workshop could not work to their full capacity and the development of steel production was hampered. Last year, after a new continuous casting machine was installed, the yearly output of steel plate rose by 30,000 tons and the steel production capacity potential has also been liberated.

3. Improving Economic Effects

On the national metallurgical front, the Shanghai Metallurgical Industry is one which is operated comparatively well. It leads in achieving most of the economic and technological targets. In the 10 years from 1971 to 1980, its output value and profits have been higher than the average level of the key iron and steel enterprises throughout the country, except in 1973, when their achievement was unsatisfactory. At present, they can produce more than 1,300 types of steel, and rolled steel to more than 20,000 specifications. The precision alloy steel they produced in 1978 amounted to 31 percent of the whole country's output that year, while that of silicon steel plate amounted to 50 percent, and those of welding rod steel, compound steel for farm implements, steel material for window frames and high pressure oil pipes amounted to around 90 percent.

Having already achieved such a high level, in which ways can they improve economic effects? Should they request more investment from the state to start new projects, introduce new equipment and increase the production capacity? Or should they rely upon improving the existing enterprise efficiency, in lowering consumption, minimizing waste and expanding the production capacity? Focusing their attention based on the present conditions, the cadres of the Shanghai Metallurgical Industry put forth a scheme for retaining increased profit for the whole trade, which aims at vigorously promoting production and creating more wealth for the state. They took as the base the profit value realized in 1978 when the highest levels achieved in the history of eight economic and technological norms were surpassed. [HK240602] Every year 60 percent of the increase in profits over 1978 is to be turned over to the state, and the other 40 percent is to be retained by the trade for use as production development funds, welfare funds and award funds. This scheme is to be followed for 5 years, during which no request will be made to the state for capital construction investment.

The profit retention scheme was approved by the state and went into effect in 1979. The requirement to unrelentingly raise the profit norm has pushed ahead the strengthening of those basic tasks such as the production administration planning, financial management, technological management of enterprises, and so on.

Starting from the second half of 1979, the Shanghai No 3 Steel Plant carried out an overall reorganization of the 2,217 types of records in the whole plant, including documents, vouchers, accounts and report forms, among which 1,670 were retained, 154 were improved, 393 were canceled and 146 were newly established. After the reorganization, the 1,970 kinds of records which are currently used, are accurate and reliable and manage to reflect the situation promptly and provide precise information for decision making and improving economic effects. Hence, in 1980 the production of rolled steel was raised by 5.9 percent and the profit by 20.3 percent over 1979, with only little change in product type and specifications.

In order to improve economic effects, assessments were made at all levels from bureaus to plants, workshops, teams and groups. Starting with economization, costs were lowered, profit rates raised, and retained profits increased. Thus the funds for tapping latent power, innovating and restructuring were obtained. After having set up the consumption fixing account, expenses restructuring account and economization reclamation account, the 69 production teams in the first workshop of the Shanghai No 5 Steel Plant managed to calculate all figures before smelting steel, for example, what materials are needed for smelting a furnace of steel, how much scrap steel is needed, how many kilowatt-hours of electricity will be consumed, how much alloy material has to be added, and so on. The workers in the material supplying section in the Shanghai No 2 Steel Plant have found 35 ways to economize and have therefore managed to increase profits by 1.60 million yuan for the year. Over a long period, in the No 3 workshop of the Shanghai No 8 Steel Plant, steel ingots were marked with two label plates showing the furnace number. Each year this consumed 19 tons of thin steel plates which cost 40,000 yuan. Now they use only one plate which is half as large as the original one and therefore they manage to save about 24,000 yuan a year.

In order to increase profits, they tried hard to improve the quality of products and increase the production of products in short supply. According to an assessment made in April 1979, in contrast to the 70 percent at the end of the previous year, the proportion of the products of the whole industry which were classed as fine and class A products was raised to 86 percent. The proportion for iron and steel products was raised from 72 percent to 85 percent and that for nonferrous products from 68 percent to 89 percent. Out of the eight categories of products produced in the Xinhui Steel Plant in 1979, four categories were graded as class A and the other four categories graded as fine. In 1980, the number of products graded as class A products was reduced to two, while the number graded as fine products was increased to six. This year, with the number of categories of products produced in the whole factory increased from 8 to 10, the factory is striving to raise the level of all categories of products to the fine grade. The production of those products in short supply urgently demanded by the market, such as thin plates, seamless steel tubes, silicon steel plates and high grade wire rods have been increased by 10 percent compared with April and January 1979. In order to improve the quality of rolled steel, the Shanghai No 3 Steel Plant coined a slogan of the "three unsatisfied's" for their own products. First, unsatisfied with the state standard, they required themselves to further satisfy the needs of consumers.

Second, unsatisfied with the present reject rate, they decided to further improve the quality of rolled steel. Third, unsatisfied with the surface quality of the steel, they strove to meet higher mechanical specifications. Since 1978, the production of rolled steel has been increased every year while norms have been raised, and requirements become more and more strict. At the same time, the amount of waste products have been reduced and the number of products rejected amounted to only 0.2 percent in 1980.

The Shanghai Metallurgical Industry made profits of 1.345 billion yuan in 1979, and in 1980 made profits of 1.47 billion yuan. These figures are 20 percent and 31.2 percent higher respectively than that of the previous record. This fact shows that economic effect is the key factor which affects all the links of the internal management of enterprises. Once this key factor is grasped, all links will be mobilized.

4. Taking a New Path

The path the Shanghai Metallurgical Industry has taken in the last 2 years is different from that taken during the 10 years of turbulence and not entirely the same as that taken prior to the "Cultural Revolution." It has shown in many ways that the metallurgical industry is seeking to develop a new path.

(1) The Trend of Fluctuation in Major Norms

In contrast to 1978, the Shanghai Metallurgical Industry system in 1980 achieved an increase of 10.4 percent in steel production, 14.4 percent in rolled steel production, a decrease of 9.5 percent in the amount of energy consumed in producing steel, an increase of 31.2 percent in profits and a growth of 8.2 percent in total output value. [HK280606] These figures show that the increase in rolled steel production has been higher than that of steel production; the growth of profits has been greater than the growth of total output value; and on top of this, energy consumption has been reduced. Other figures reflecting the production situation of enterprises basically followed this trend too. In 1980, the Shanghai No 3 Steel Plant which has over many years achieved comparatively higher economic norms, achieved an increase of 17 percent over 1978 in steel production, 18.9 percent in rolled steel production, a decrease of 14.9 percent in the amount of energy consumed for producing steel, an increase of 29.7 percent in profits, and a growth of 19.1 percent in the total output value. In the same year, the Xinfu Steel Plant, which only produces rolled steel, achieved an increase of 18.5 percent over 1978 in rolled steel production, 107.8 percent in profits and a decrease of 14.6 percent in energy consumption.

(2) Changes in the Profit Structure Over the Past 3 Years

Of the profit increase in 1978, 77 percent was attributed to the increase in production and product variety, 23 percent was attributed to the lowering of the consumption of materials and of costs. Of the profit increase in 1979, 49.6 percent was attributed to the increase in production and product variety, 50.4 percent was due to the lowering of the consumption of materials and of costs. Of the profit increase in 1980, 47 percent was attributed to the increase

in production and product variety and 53 percent was due to the lowering of the consumption of materials and o. costs. The changing trend shows that the profit proportion attributed to the increases in production and product variety is decreasing year after year, while the proportion achieved through strengthening business management and improving some processes which consume more energy is increasing.

(3) An Analysis of the Investment Direction of Production Development Fund

In the 2 years of 1979 and 1980, with the approval of the departments concerned, the Shanghai Metallurgical Industry system utilized the production development fund, which had been set up with 50 million yuan of the retained profits, to facilitate 120 measures of small-scale latent power tapping, innovation and restructuring, which had already been started or were going to be carried out, in 24 enterprises. Of these measures, 26 percent was aimed at improving quality, increasing product variety and promoting production of products in short supply; 36 percent was aimed at lowering consumption and saving energy; 12.5 percent was for coping with the "three wastes"; 12 percent was aimed at improving auxiliary facilities and amplifying equipment to form a complete set, and 4 percent was aimed at improving the cultural and educational facilities for staff and workers. The allocation of the production development fund shows that most of the fund has been utilized to improve the quality of products, to lower costs and to eliminate pollution.

By analyzing the increase in production norms, the ways of making profit and the investment direction of the fund in the last 2 to 3 years in the Shanghai Metallurgical Industry system, the following conclusion can be drawn. In expanding production, enterprises have set the focus of their attention on the existing equipment and their own staff and workers and they have set up a fund, needed for production expansion, by improving the economic effects of the existing enterprises. This is exactly the path which suits our national conditions and leads to bright prospects.

CSO: 4006/1

INDUSTRY

BRIEFS

FUJIAN INDUSTRY, TRANSPORT CONFERENCE--The Fujian Provincial Industry and Transport Work Conference, which was called by the provincial people's government on 14 September, concluded in Fuzhou 18 September. The conference called on all industry and transport workers to go all out to work for 100 days in order to fulfill this year's production plans. At the plenary session on 18 September leading comrades of the provincial CCP committee Xiang Nan and (Cheng Xu) made important speeches on combating lax and weak leadership to speed up the industrial and transport production. In his closing speech Vice Governor Wang Yan urged the participants to transmit the conference's guidelines to the industrial and transport front as quickly as possible. Attending the plenary session on 18 September were provincial party and government leaders Guo Chao, (Wen Xiushan), Zhang Yi, Wen Fushan and comrades of prefectural, municipal and county departments concerned, totalling some 1,000 persons. [OW201659 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 18 Sep 81 OW]

CSO: 4006/1

CONSTRUCTION

BRIEFS

GUANGXI ELECTRIC POWER PROJECTS--By the end of July, Guangxi region had fulfilled 82 percent of the 1981 quota for investment in key electric power capital construction projects. The amount of investment was 5.2 percent more than in the corresponding period last year. [Nanning Guangxi Regional Service in Mandarin 1100 GMT 29 Aug 81 HK]

CSO: 4006/1

TRANSPORTATION

BRIEFS

JIANGXI INDUSTRY, TRANSPORT MEETING--The Jiangxi Provincial CCP Committee and Provincial People's Government called a provincial meeting on 16 September to transmit the guidelines of the national industry and transport work conference recently held by the state council. Attending the meeting were some 1,100 persons from provincial and municipal departments concerned including Bai Dongcai, permanent secretary of the provincial CCP committee and governor; Ma Jikong, secretary of the provincial CCP committee; and (Wu Ping), deputy secretary of the provincial CCP committee and secretary of the Nanchang Municipal CCP committee. Wang Shixian, Standing Committee member of the provincial CCP committee and vice governor, presided over the meeting. Bai Dongcai spoke at the meeting. [OW211305 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 18 Sep 81 OW]

CSO: 4006/1

GENERAL

ECONOMIC READJUSTMENT MAKING GOOD HEADWAY IN YUNNAN

Kunming YUNNAN RIBAO in Chinese 11 Aug 81 p 1

[Article: "Yunnan Achieves Success in National Economic Readjustment in First Half of 1981, Although Certain Economic Problems Still Need Solution"]

[Text] Through conscientious implementation of the central government's policy on readjusting and stabilizing the economy, our province has basically maintained financial and credit balances as well as stability of commodity prices in the market.

The situation of agricultural production is fine, thanks to the implementation of economic policies in the countryside, and particularly the gradual development and perfection of the system of responsibility for production. The output of late autumn crops is basically the same as last year's, but that of rapeseeds has increased by 480,000 dan, exceeding that of 1965--the highest in history--by 57,200 dan. The acreage of early spring grain and economic crops has been expanded, and the quality of field management has shown improvement. Despite certain new problems and difficulties arising from the readjustment, industrial production has begun to develop harmoniously. Industrial output value has increased this year over that of the same period in 1980, and light industry, prefecture- and country-run industries, and production of consumer goods have developed fairly well. Output of cigarettes, radio sets, TV sets, sewing machines, chemical fiber, and dacron has increased by a fairly wide margin. Sugar output has hit an alltime high. The scale of capital construction has been further reduced and the orientation of investments has been adjusted with the result that appropriations for nonproductive construction have been raised from 31.6 to 35.6 percent. Local financial revenue has been increased and expenditures reduced. The purchase quota of treasury bonds has been overfulfilled, and savings deposits in both urban and rural areas are greater than those of the same period of last year. In commerce, finance, and trade, reforms have been carried out to suit the requirements of the readjustment, and the procurement of agricultural and sideline products has increased by a wide margin. Industrial goods for daily use have shown a marked increase; the market in both urban and rural areas is flourishing; and country fair prices, basically stable, have been reduced slightly.

However, a heavy task of readjustment is still confronting us in the province. The progress of reform and consolidation has been slow, and the cycle of national economy is still not quite harmonious. Industrial growth also has been slow. In the first half of this year, the output value of industry under the system of collective ownership in the cities and the countryside declined by 2 percent, and that of machinery,

chemical industry, coal, and the second light industry has also been lower. These unfavorable economic results have a direct impact on revenue. Since 70 percent of heavy industry is owned by provincial enterprises, only 5 percent of the provincial revenue plan for the first half of this year has been collected, and the revenue in this period is 96.6 percent less than that of the same period in 1980. The revenue for all enterprises in the province also declined by 39.3 percent below that of the same period in 1980; the profit actually made was less than the budgeted amount by 17.5 percent; the amount of profits handed over to the state dropped by 16.2 percent; and the amount of losses increased by 16 percent. The control of currency issuance and withdrawal is far from ideal. In the countryside, the net issuance increased by 20.7 percent over that of the same period of last year, and the payment of bonuses exceeded the planned amount by 11.3 percent. The scale of capital construction still tends to enlarge. Compared with the same period of 1980, enterprise management expenses have increased by 10.1 percent. The people's purchasing power has increased by 37.8 percent. There is a large discrepancy between the supply of commodities and the purchasing power. Thus the supply of goods wanted by the people is short of the demand.

In view of this situation and of the problems, the provincial party committee has called on all economic departments at the provincial level to conscientiously study and implement the spirit of the Sixth Plenum of the 11th Party Central Committee, and to take realistic and effective measures to improve their work in order to ensure the all-round fulfillment or overfulfillment of the national economic plan for the current year.

9411

CSO: 4006/473

GENERAL

RESPONSIBILITY SYSTEM SUCCESSFUL IN COMMUNICATIONS SECTOR

Guangzhou GUANGZHOU RIBAO in Chinese 20 Aug 81 p 1

[Article: "Various Forms of Economic Responsibility Adopted in Industrial-Communications Sector of Guangzhou; Remarkable Economic Result from Workers' High Morale"]

[Text] Since 1980, a number of trades and enterprises of the industrial-communications sector have adopted the system of economic responsibility in various forms. Arrangements have also been made for this purpose between different levels, from bureaus down to companies and plants in some trades, and from plants down to workshops, work groups, and individuals in some enterprises. This system of economic responsibility has shown remarkable results.

In addition to retention of profits and other minor changes in the enterprises, following the expansion of their decisionmaking power, the industrial-communications sector in Guangzhou has adopted the following forms of responsibility:

1. Assuming responsibility for profits and losses and paying taxes instead of handing over profits by enterprises owned by the whole people. There are now three experimental units of this type in the municipality: The Sewing Machine Industry Company, the Bicycle Industry Company, and the Spun Hemp Textile Mill. This responsibility system became popular after the expansion of decisionmaking power. Instead of handing over profits to the state, these units are now paying enterprise income taxes and drawing wage funds, production development funds, fringe benefit funds, and bonus funds at the established rates. Since this means even greater decisionmaking power, the economic results of the enterprises concerned are even better than those of units without such privileges. In the first 5 months of this year, the total output value of these three experimental units was 16 percent higher than that of the same period in 1980. Their profits and income tax increased by 88 percent and 23.9 percent, respectively. From the second half of 1980, when this system was first adopted, to June 1981, the Spun Hemp Mill made a profit of 16.4 million yuan, more than doubling the amount in the period from July 1979 to June 1980. The profits retained for developing production amounted to 3 million yuan--eight times that of the same period, or double the total amount of state investments in the 15 years following the expansion of the mill in 1964. The mill is now capable of setting up its long-hoped-for automatic production line. Bonus and fringe benefit funds have also been increased by a wide margin.

2. Responsibility by an entire trade (or all enterprises) for profits and losses, whereby profits will be retained but losses will not be made good by the state. Since assuming responsibility for profits and losses last year, and thereby turning losses into profits, the Metallurgical Bureau this year has adopted the system of retaining all the profits and requiring no state compensation for any losses. The bureau entered into contracts in various forms with the enterprises and further improved the economic results. Its output value in the first half of this year increased by 5 percent over the same period of last year, and its profits totaled more than 12 million yuan, double those of the same period of 1980.

3. Profit-sharing by an entire trade (or all enterprises). This method was used by 44 enterprises in the industrial-communications sector of the municipality. The textile trade has all along carried out regular production with a large profit base. Increased production in this trade was somewhat difficult. After the adoption of this method, however, its profit increased by a wide margin. Last year, it made a profit of more than 108 million yuan, an increase of 61 percent over 1980. In the first half of 1981, its profit amounted to more than 65 million yuan, and after deducting the portions used as bonus and fringe benefits, its net increase was still 16.84 million yuan more than during the same period last year. The rate of increase was 34.8 percent. This method was adopted by eight enterprises without expanded decisionmaking power in the metallurgical trade, including the Tantalum-Niobium Smelting Plant, and the majority of them overfulfilled their profit quotas in the first half-year.

4. Responsibility by an entire trade (or all enterprises of the trade) for profit quotas, providing for the sharing or retention of above-quota profits. The Light Industry Bureau, the Second Light Industry Bureau, and the Electronics Bureau have recently adopted this system--and will continue to keep it for 3 years. These bureaus are now working on plans and measures for increasing production and income in an effort to gain better economic results.

5. Responsibility for reducing losses to a certain level. Under this system, excessive losses will not be made up by the state, but if losses are kept below a set level, part of the savings thus gained will be retained by the enterprise. A number of enterprises of the metallurgical trade dealing in steel, alloy steel, and powder metallurgy used to suffer great losses. After adopting this system, they soon reduced the losses by a wide margin, and some of them even turned losses into profits. Last year, for example, a powder metallurgy plant adopted this system, whereby it could retain 20 percent of the amount saved from losses and 30 percent of the profits gained. This plant took the initiative of calling on more than 110 counties to solicit business, and production greatly increased. Its loss the previous year of 590,000 yuan was now turned into a profit of 10,000 yuan. Thus, by reducing its loss and then making a profit, it gained 120,000 yuan.

6. Subsidy for losses up to a set level for an entire trade. The Coal Bureau recently granted, on an experimental basis, a subsidy of 31 yuan for the sale of each ton of coal. Any profit from such sales will be retained by the enterprises, to be used for the tapping of potential and for the renovation and transformation of equipment, and partly for fringe benefits and bonuses.

7. Responsibility for profits and losses by collective enterprises with independent accounting. This year, 176 enterprises under the Second Light Industry Bureau have adopted this method, which is different from the former method of sharing profits and losses collectively. In the distribution of profits after payment of taxes, the bureau keeps 70 percent, to be divided among the enterprises, and hands over the remaining 30 percent to the department in charge. The enterprises' share consists of the base and the extra share. The base share should remain unchanged for 3 years. Under this system, the output value of these 176 enterprises in the first half of the year increased by 11 percent and profits increased by 13.7 percent over those of the same period last year. In the same trade, 30 collective enterprises have not yet adopted this system, and their output value in the first half of the year increased by only 2.5 percent, while their profits dropped by 73.5 percent.

8. Responsibility for output and production costs. This is a type of general agreement between the enterprises and workshops and their affiliated sections. This agreement can take many forms. For example, the Sulphuric Acid Plant offered rewards for quota fulfillment, while the reward from the Copper Materials Plant is based on the economic responsibility of "three guarantees"--meaning guaranteed output, quality, and production costs. Many units have practiced the system of responsibility for production costs with quick results. By means of the "three guarantees" system, the Copper Materials Plant increased its output value by 24.9 percent and more than doubled its profit in the first half of this year.

9411

CSO: 4006/473

GENERAL

BRIEFS

GUANGXI HOUSEHOLD REGISTRATION CONFERENCE--On the evening of 28 August, the Guangxi Regional People's Government held a telephone conference on tidying up household registration work. Regional people's government Vice Chairman Shi Qingsheng spoke, demanding that people's governments at all levels strengthen leadership over household registration work. Rural household registration work must be started before September and household registration work in the majority of prefectures must be completed before November. Under the unified leadership of the people's government, public security, civil affairs, labor, grain, commerce, planned parenthood and census departments must make concerted efforts to do this work well. [HK221456 Nanning Guangxi Regional Service in Mandarin 1100 GMT 30 Aug 81 HK]

JIANGSU QUALITY CONTROL--A mass campaign on quality control is in full swing among enterprises in Jiangsu. The number of industrial and transport enterprises enforcing total quality control has reached 1,126. The 6,202 quality control groups active among these enterprises have helped them raise product quality and economic results and promote production. To further popularize quality control, the provincial economic committee and provincial office for defense industry held a meeting in Lianyungang City, 4-9 September, to exchange experience in quality control and commend advanced groups in quality work. [OW211305 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 18 Sep 81 OW]

SICHUAN PREFECTURE SMALL CARS--Organs at the prefectural and county levels in Wenjiang Prefecture and their subordinate units have privately approved the purchase of small cars and privately engaged in the purchase of small cars, neither of which is included in the state plan. They have also privately arranged gasoline supply. In view of this, the Sichuan Provincial People's Government issued a circular to criticize them for the unauthorized purchase of small cars. In 1980, they bought 260 small cars, which is the total number of small cars bought over the previous 30 years. As a result, they have wasted a large amount of funds and aggravated the situation of the short supplies of energy resources. Small cars are a special commodity which must be controlled by the state according to its plan. They can only be allocated in accordance with the state plan and cannot be bought and sold privately. Of the 260 small cars bought in 1980, only 58 were covered by allocations to departments by the state and the remainder were bought privately. [HK221414 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 29 Aug 81 HK]

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